

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**  
**INTERDEPARTMENTAL MEMORANDUM**

**TO:** Robert L. Carl, Jr., Ph.D., Director  
Department of Administration

**FROM:** Stephen M. Cooper, Chief  
Administration/Bureau of Audits

**DATE:** July 25, 2001

**SUBJECT:** Review of Central Services, State Agency for Surplus Property  
Draft State Surplus Property Procedures

We have conducted a review of the draft of state surplus property procedures contemplated by the Division of Central Services, State Agency for Surplus Property (SASP). The following is a summary of our review.

**Objectives, Scope, and Methodology**

Our objectives were to determine if the Division of Central Services, State Agency for Surplus Property (SASP) has efficient and effective procedures in place for the disposition of surplus and obsolete state equipment and if these procedures are consistent with the Fixed Asset Control and Tracking System (F.A.C.T.S.) promulgated by the State Controller.

The scope of our review was limited to the procedures applicable to state surplus property currently being used by the SASP. Our conclusions were based on our review and analysis of the following:

- SASP Plan of Operations – State Surplus Distribution Center
- SASP State Surplus Procedures (Draft)
- Fixed Asset Control Tracking System (F.A.C.T.S.)
- Rhode Island General Laws related to surplus property

We interviewed the Chief of the SASP to gain an understanding of the program and its mission and also performed a physical inspection of the surplus property warehouse at Quonset including the system in place to account for inventory at the warehouse. Additionally, we researched “Best Practices” of other states and entities for surplus equipment, as well as recycling computer equipment and hazardous waste issues.

## **Background**

Section 37-2-54 of the R.I. General Laws gives the Department of Administration the authority to salvage, exchange, and condemn supplies and equipment. The Department of Administration has designated the Division of Central Services to conduct a state surplus property program.

## **Findings**

- Existing policies and procedures regarding the disposal of surplus property must be amended to account for the increasing amount of surplus computer and electronic equipment.
- The SASP does not currently have any arrangement or contract with a recycling firm to accept surplus computer equipment. Disposal and record keeping related to this type of equipment in the coming months will be subject to federal and state EPA hazardous waste rules. These rules will ultimately classify all computer equipment as "universal waste," a form of hazardous waste. The State of Rhode Island currently has no specific laws dealing with the hazardous nature of computer equipment.
- The Division of Central Services is currently working on several possibilities for disposal including recycling companies and the Federal Prison Industries. However, without funding or a recycling firm in place to dispose of additional computer equipment the SASP is reluctant to issue procedures to state agencies as the warehouse is filled close to capacity. Also, any plan is incumbent on the capabilities of the agencies to transport surplus equipment either to the warehouse or other location.
- The SASP procedures contained in the draft provide an overall policy but do not delineate the agency's budgetary and operational responsibilities. During the interim period, agencies follow the guidance included in Appendix I to the Fixed Assets Control and Tracking System (F.A.C.T.S.) issued as part of the State Controllers' Procedural Handbook or the directions appearing on Form FA-70, *"Report of Surplus Fixed Assets."* Our review disclosed some minor inconsistencies between the two documents.
- The system used to account for inventory and to identify and store the equipment at the warehouse appears to be adequate. However, there are several issues related to the physical warehouse such as poor lighting and the lack of heat, water, sewers, and supplies that are of concern to the SASP.

## **Conclusions**

The proposed procedures contain the basic elements necessary to facilitate state agencies in the disposition of surplus and obsolete equipment, as they are relatively consistent with procedures used in other states and the private sector. However, the major issue complicating these draft procedures is selecting the most appropriate vendor for the disposal of computer equipment. A proposed agreement with the Federal Prisons Industries, if achievable, would be beneficial to the state as the other options being explored for disposal/recycling of computer equipment involve greater cost to the state. At the time of our review, the SASP was trying to finalize this agreement and obtain the necessary departmental approvals.

It will be difficult for the SASP to issue state surplus procedures to all state agencies and incorporate those procedures into the F.A.C.T.S. procedures until the disposition of the computer equipment at the Quonset Warehouse is determined and a process is in place to recycle additional surplus computer equipment.

The SASP should consider incorporating additional transportation information and directions to its procedures as well as some additional changes related to the current Form FA-70 and its instructions once a plan is finalized. Some of the information contained in the SASP Plan of Operations probably should be added to the procedures to better explain the overall process to the various state agencies.

The availability of funding for disposing of the current warehouse inventory of computer equipment and for future disposal to recycling companies as well as other warehouse expenses needs to be determined in order for the SASP to proceed and manage the operation.

## **Distribution**

This report is intended solely for use by the management of the Division of Central Services within the Department of Administration and should not be used by those who do not have the responsibility over state surplus property. However, this report is a matter of public record and its distribution is not limited.

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pc: R. Gary Clark, Executive Director/Tax Administrator  
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Dennis Lynch, Associate Director, Central Services  
William Ferguson, Chief, Property Management  
Lawrence C. Franklin, Jr., State Controller  
Stephen P. McAllister, Executive Director/Budget Officer  
Louise Bright, Chief of Business Services, DOA